



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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SAN DIEGO CITY ATTORNEY FILES LAWSUIT AGAINST ONLINE HOTEL BOOKING SERVICES *City defrauded by tax remittance practices of online companies*

SAN DIEGO, CA: The City Attorney's Office today filed a lawsuit against more than a dozen online hotel booking companies that have failed to appropriately remit transient occupancy taxes (TOT) collected for previously sold hotel rooms, resulting in estimated losses of more than \$30 million over the last 5 years for the City of San Diego.

"It is the city, and not the hotel booking industry that should be receiving these funds that have already been paid by the customers," said City Attorney Michael Aguirre. "We only seek rightful payment of transient occupancy taxes already collected and owed to the City."

The defendants, including Expedia, Inc., Hotels.com, Priceline.com, Inc., and Travelocity Inc., have underpaid the City's transient occupancy taxes by collecting tax amounts from customers based on more expensive "retail" room rates while paying the city a tax amount based on lower, "wholesale" room rates. For example, if a customer pays Priceline.com \$100 for a hotel room in San Diego, Priceline.com then charges the customer taxes based on \$100. However, Priceline.com regularly purchases rooms at lower wholesale rates and pays the City a TOT amount based on the lower rates.

Deputy City Attorney Don Shanahan will be representing the City in this lawsuit. According to Shanahan, the suit is especially critical for the City of San Diego, which relies heavily on the tourism industry as a source of revenue. There are 44,000 hotel rooms in the City of San Diego that generate \$120 million in TOT annually. In 2003, some 26.4 million San Diego visitors spent \$5.3 billion, making tourism the third-largest industry in the City. About 87% of visitors to San Diego are leisure travelers, while 13% visit for convention purposes.

City Attorney Michael Aguirre, concerned about the Securities and Exchange Commission's Form 10-K filings for both Expedia.com and Hotels.com, is intent on making sure that the City of San Diego is not taken advantage of by online hotel companies. The SEC filings indicate that both Expedia.com and Hotels.com have established reserves with respect to potential TOT liability.

Attorney Steven Wolens of Baron & Budd, P.C., together with Paul Kiesel and Patrick DeBlase of Kiesel, Boucher & Larson will serve as co-counsel to the City of San Diego. Both firms are currently involved in a similar lawsuit on behalf of the City of Los Angeles. ###